



QUARTERLY STATEMENT  
AS OF September 30, 2008  
OF THE CONDITION AND AFFAIRS OF THE  
Care Improvement Plus South Central Insurance Company

NAIC Group Code	4443 (Current Period)	4443 (Prior Period)	NAIC Company Code	12567	Employer's ID Number	20-3888112
Organized under the Laws of	Arkansas		State of Domicile or Port of Entry	Arkansas		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[X]      Property/Casualty[ ]      Hospital, Medical & Dental Service or Indemnity[ ] Dental Service Corporation[ ]      Vision Service Corporation[ ]      Health Maintenance Organization[ ] Other[ ]      Is HMO Federally Qualified? Yes[ ] No[X] N/A[ ]					
Incorporated/Organized	01/13/2006		Commenced Business	01/01/2007		
Statutory Home Office	400 West Capitol, Suite 2000 (Street and Number)		Little Rock, AR 72201 (City, or Town, State and Zip Code)			
Main Administrative Office	351 W. Camden Street, Suite 100 (Street and Number) Baltimore, MD 21201 (City or Town, State and Zip Code)					
Mail Address	351 W. Camden Street, Suite 100 (Street and Number or P.O. Box)		Baltimore, MD 21201 (City, or Town, State and Zip Code)			
Primary Location of Books and Records	351 W. Camden Street, Suite 100 (Street and Number) Baltimore, MD 21201 (City, or Town, State and Zip Code)		(410)625-2200 (Area Code) (Telephone Number)			
Internet Website Address	www.xlhealth.com		(410)625-2200 (Area Code) (Telephone Number)			
Statutory Statement Contact	Justin M. Jarkowski (Name) jjarkowski@xlhealth.com (E-Mail Address)		(443)524-8929 (Area Code)(Telephone Number)(Extension) (410)244-8347 (Fax Number)			

OFFICERS

Name	Title
Frederick Clark Dunlap	Chairman & CEO
Paul Anthony Serini	Secretary & EVP
Mete Sahin	Treasurer & CFO #
Frederick Porter Dodson	Assistant Secretary & EVP #
Daniel Jay Friedman	Assistant Secretary & CLO #
Suresh Ramakrishnan	CIO #
Laura June Ciavola	Senior VP of Claims & Systems Intergration #

OTHERS

Rachel Suzanne Nickles Haltiwanger, VP, Quality Resource Management & Compliance #  
Lyda Ellen Prack, VP, Human Resources/Training #  
Laurie Regina Russell, VP, Medical Affairs #  
Leslie Lynn Young, VP, Operations #

Andrea Gaye Hershey, VP, Pharmacy #  
Karen Ann Rennie, VP, Utilization Management #  
Joseph Lee Spruiell, VP, Field Operations #

DIRECTORS OR TRUSTEES

Frederick Clark Dunlap  
Frederick Porter Dodson #

Paul Anthony Serini

State of \_\_\_\_\_  
County of \_\_\_\_\_ ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Frederick Clark Dunlap	Paul Anthony Serini	Mete Sahin
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
Chairman & CEO	Secretary & EVP	Treasurer & CFO
(Title)	(Title)	(Title)

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2008

a. Is this an original filing?  
b. If no, 1. State the amendment number  
2. Date filed  
3. Number of pages attached

Yes[X] No[ ]  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(Notary Public Signature)

ASSETS

		Current Statement Date			4
		1	2	3	
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31, Prior Year Net Admitted Assets
1.	Bonds .....	413,509		413,509	7,172,308
2.	Stocks:				
2.1	Preferred stocks .....				
2.2	Common stocks .....				51,982,540
3.	Mortgage loans on real estate:				
3.1	First liens .....				
3.2	Other than first liens .....				
4.	Real estate:				
4.1	Properties occupied by the company (less \$.....0 encumbrances) .....				
4.2	Properties held for the production of income (less \$.....0 encumbrances) .....				
4.3	Properties held for sale (less \$.....0 encumbrances) .....				
5.	Cash (\$....(24,701,615)), cash equivalents (\$.....51,036,007) and short-term investments (\$.....111,900,342) .....	138,234,734		138,234,734	104,646,787
6.	Contract loans (including \$.....0 premium notes) .....				
7.	Other invested assets .....				
8.	Receivables for securities .....				
9.	Aggregate write-ins for invested assets .....				
10.	Subtotals, cash and invested assets (Lines 1 to 9) .....	138,648,243		138,648,243	163,801,635
11.	Title plants less \$.....0 charged off (for Title insurers only) .....				
12.	Investment income due and accrued .....	58,224		58,224	319,728
13.	Premiums and considerations:				
13.1	Uncollected premiums and agents' balances in the course of collection .....	7,679,767	3,226,070	4,453,697	959,596
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums) .....				
13.3	Accrued retrospective premiums .....	30,549,484		30,549,484	19,291,000
14.	Reinsurance:				
14.1	Amounts recoverable from reinsurers .....	399,921		399,921	170,567
14.2	Funds held by or deposited with reinsured companies .....				
14.3	Other amounts receivable under reinsurance contracts .....				
15.	Amounts receivable relating to uninsured plans .....	206,298		206,298	
16.1	Current federal and foreign income tax recoverable and interest thereon .....				
16.2	Net deferred tax asset .....	12,730,558	12,730,558		
17.	Guaranty funds receivable or on deposit .....				
18.	Electronic data processing equipment and software .....				
19.	Furniture and equipment, including health care delivery assets (\$.....0) .....				
20.	Net adjustments in assets and liabilities due to foreign exchange rates .....				
21.	Receivables from parent, subsidiaries and affiliates .....	29,906,823		29,906,823	15,946,061
22.	Health care (\$.....5,834,784) and other amounts receivable .....	7,466,848	1,632,064	5,834,784	3,849,397
23.	Aggregate write-ins for other than invested assets .....				
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	227,646,166	17,588,692	210,057,474	204,337,984
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
26.	Total (Lines 24 and 25) .....	227,646,166	17,588,692	210,057,474	204,337,984
DETAILS OF WRITE-INS					
0901.	.....				
0902.	.....				
0903.	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page .....				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....				
2301.	.....				
2302.	.....				
2303.	.....				
2398.	Summary of remaining write-ins for Line 23 from overflow page .....				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....				

**LIABILITIES, CAPITAL AND SURPLUS**

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$.....0 reinsurance ceded) .....	100,046,606		100,046,606	145,138,249
2.	Accrued medical incentive pool and bonus amounts .....				
3.	Unpaid claims adjustment expenses .....	1,258,639		1,258,639	1,509,475
4.	Aggregate health policy reserves .....	18,598,401		18,598,401	11,504,019
5.	Aggregate life policy reserves .....				
6.	Property/casualty unearned premium reserve .....				
7.	Aggregate health claim reserves .....				
8.	Premiums received in advance .....				
9.	General expenses due or accrued .....	861,150		861,150	176,343
10.1	Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized gains (losses)) .....				
10.2	Net deferred tax liability .....				
11.	Ceded reinsurance premiums payable .....				
12.	Amounts withheld or retained for the account of others .....				
13.	Remittances and items not allocated .....				
14.	Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current) .....				
15.	Amounts due to parent, subsidiaries and affiliates .....				3,531,013
16.	Payable for securities .....				
17.	Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers) .....				
18.	Reinsurance in unauthorized companies .....				
19.	Net adjustments in assets and liabilities due to foreign exchange rates .....				
20.	Liability for amounts held under uninsured plans .....	25,909,223		25,909,223	6,154,207
21.	Aggregate write-ins for other liabilities (including \$.....0 current) .....				
22.	Total liabilities (Lines 1 to 21) .....	146,674,019		146,674,019	168,013,306
23.	Aggregate write-ins for special surplus funds .....	X X X	X X X		
24.	Common capital stock .....	X X X	X X X	100,000	100,000
25.	Preferred capital stock .....	X X X	X X X		
26.	Gross paid in and contributed surplus .....	X X X	X X X	154,112,960	86,612,960
27.	Surplus notes .....	X X X	X X X		
28.	Aggregate write-ins for other than special surplus funds .....	X X X	X X X		
29.	Unassigned funds (surplus) .....	X X X	X X X	(90,829,505)	(50,388,282)
30.	Less treasury stock, at cost:				
30.1	.....0 shares common (value included in Line 24 \$.....0) .....	X X X	X X X		
30.2	.....0 shares preferred (value included in Line 25 \$.....0) .....	X X X	X X X		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30) .....	X X X	X X X	63,383,455	36,324,678
32.	Total Liabilities, capital and surplus (Lines 22 and 31) .....	X X X	X X X	210,057,474	204,337,984
DETAILS OF WRITE-INS					
2101.	.....				
2102.	.....				
2103.	.....				
2198.	Summary of remaining write-ins for Line 21 from overflow page .....				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above) .....				
2301.	.....	X X X	X X X		
2302.	.....	X X X	X X X		
2303.	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page .....	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	X X X	X X X		
2801.	.....	X X X	X X X		
2802.	.....	X X X	X X X		
2803.	.....	X X X	X X X		
2898.	Summary of remaining write-ins for Line 28 from overflow page .....	X X X	X X X		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above) .....	X X X	X X X		

STATEMENT AS OF **September 30, 2008** OF THE **Care Improvement Plus South Central Insurance Company**

STATEMENT OF REVENUE AND EXPENSES

		Current Year To Date		Prior Year To Date	Prior Year Ended December 31
		1 Uncovered	2 Total	3 Total	4 Total
1.	Member Months .....	X X X .....	391,616	68,223	338,739
2.	Net premium income (including \$.....0 non-health premium income) .....	X X X .....	503,483,813	95,430,598	389,167,642
3.	Change in unearned premium reserves and reserves for rate credits .....	X X X .....			
4.	Fee-for-service (net of \$.....0 medical expenses) .....	X X X .....			
5.	Risk revenue .....	X X X .....			
6.	Aggregate write-ins for other health care related revenues .....	X X X .....			
7.	Aggregate write-ins for other non-health revenues .....	X X X .....			
8.	Total revenues (Lines 2 to 7) .....	X X X .....	503,483,813	95,430,598	389,167,642
<b>Hospital and Medical:</b>					
9.	Hospital/medical benefits .....		417,265,135	77,324,983	325,803,912
10.	Other professional services .....		2,487,055		1,817,041
11.	Outside referrals .....				
12.	Emergency room and out-of-area .....				
13.	Prescription drugs .....		53,034,510	9,653,666	33,781,698
14.	Aggregate write-ins for other hospital and medical .....		947,532		1,757,020
15.	Incentive pool, withhold adjustments and bonus amounts .....				
16.	Subtotal (Lines 9 to 15) .....		473,734,232	86,978,649	363,159,671
<b>Less:</b>					
17.	Net reinsurance recoveries .....		436,396		170,567
18.	Total hospital and medical (Lines 16 minus 17) .....		473,297,836	86,978,649	362,989,104
19.	Non-health claims (net) .....				
20.	Claims adjustment expenses, including \$.....25,174,476 cost containment expenses .....		40,955,145		43,535,225
21.	General administrative expenses .....		34,030,285	16,032,405	33,973,015
22.	Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only) .....		7,186,730		
23.	Total underwriting deductions (Lines 18 through 22) .....		555,469,996	103,011,054	440,497,344
24.	Net underwriting gain or (loss) (Lines 8 minus 23) .....	X X X .....	(51,986,183)	(7,580,456)	(51,329,702)
25.	Net investment income earned .....		3,429,756	247,715	2,263,083
26.	Net realized capital gains (losses) less capital gains tax of \$.....0 .....		1,834		
27.	Net investment gains or (losses) (Lines 25 plus 26) .....		3,431,590	247,715	2,263,083
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)] .....				
29.	Aggregate write-ins for other income or expenses .....				
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	X X X .....	(48,554,593)	(7,332,741)	(49,066,619)
31.	Federal and foreign income taxes incurred .....	X X X .....			
32.	Net income (loss) (Lines 30 minus 31) .....	X X X .....	(48,554,593)	(7,332,741)	(49,066,619)
<b>DETAILS OF WRITE-INS</b>					
0601.	.....	X X X .....			
0602.	.....	X X X .....			
0603.	.....	X X X .....			
0698.	Summary of remaining write-ins for Line 6 from overflow page .....	X X X .....			
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	X X X .....			
0701.	.....	X X X .....			
0702.	.....	X X X .....			
0703.	.....	X X X .....			
0798.	Summary of remaining write-ins for Line 7 from overflow page .....	X X X .....			
0799.	TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above) .....	X X X .....			
1401.	Transportation Costs .....		947,532		1,757,020
1402.	.....				
1403.	.....				
1498.	Summary of remaining write-ins for Line 14 from overflow page .....				
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) .....		947,532		1,757,020
2901.	.....				
2902.	.....				
2903.	.....				
2998.	Summary of remaining write-ins for Line 29 from overflow page .....				
2999.	TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above) .....				

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2	3
		Current Year To Date	Prior Year To Date	Prior Year Ended December 31
CAPITAL & SURPLUS ACCOUNT				
33.	Capital and surplus prior reporting year .....	36,324,677	1,464,417	1,835,877
34.	Net income or (loss) from Line 32 .....	(48,554,593)	(7,332,741)	(49,066,619)
35.	Change in valuation basis of aggregate policy and claim reserves .....			
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....0 .....			
37.	Change in net unrealized foreign exchange capital gain or (loss) .....			
38.	Change in net deferred income tax .....	(4,205,983)		16,936,542
39.	Change in nonadmitted assets .....	695,553		(18,284,246)
40.	Change in unauthorized reinsurance .....			
41.	Change in treasury stock .....			
42.	Change in surplus notes .....			
43.	Cumulative effect of changes in accounting principles .....			
44.	Capital Changes:			
44.1	Paid in .....			100,000
44.2	Transferred from surplus (Stock Dividend) .....			
44.3	Transferred to surplus .....			
45.	Surplus adjustments:			
45.1	Paid in .....	67,500,000	25,000,000	84,803,123
45.2	Transferred to capital (Stock Dividend) .....			
45.3	Transferred from capital .....			
46.	Dividends to stockholders .....			
47.	Aggregate write-ins for gains or (losses) in surplus .....	11,623,800		
48.	Net change in capital and surplus (Lines 34 to 47) .....	27,058,777	17,667,259	34,488,800
49.	Capital and surplus end of reporting period (Line 33 plus 48) .....	63,383,454	19,131,676	36,324,677
DETAILS OF WRITE-INS				
4701.	Correction of an Error - 2007 Audit Adjustments .....	11,623,800		
4702.	.....			
4703.	.....			
4798.	Summary of remaining write-ins for Line 47 from overflow page .....			
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....	11,623,800		

CASH FLOW

		1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations			
1.	Premiums collected net of reinsurance .....	485,865,252	379,539,239
2.	Net investment income .....	3,657,986	1,959,027
3.	Miscellaneous income .....		
4.	Total (Lines 1 to 3) .....	489,523,238	381,498,266
5.	Benefit and loss related payments .....	521,341,022	222,336,697
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....		
7.	Commissions, expenses paid and aggregate write-ins for deductions .....	55,002,741	69,668,215
8.	Dividends paid to policyholders .....		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses) .....		
10.	Total (Lines 5 through 9) .....	576,343,763	292,004,912
11.	Net cash from operations (Line 4 minus Line 10) .....	(86,820,525)	89,493,354
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds .....	11,118,992	2,544,034
12.2	Stocks .....	75,814,416	62,976,874
12.3	Mortgage loans .....		
12.4	Real estate .....		
12.5	Other invested assets .....		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments .....	971	
12.7	Miscellaneous proceeds .....		
12.8	Total investment proceeds (Lines 12.1 to 12.7) .....	86,934,379	65,520,908
13.	Cost of investments acquired (long-term only):		
13.1	Bonds .....	4,326,056	8,792,038
13.2	Stocks .....	23,831,876	114,959,413
13.3	Mortgage loans .....		
13.4	Real estate .....		
13.5	Other invested assets .....		
13.6	Miscellaneous applications .....	0	
13.7	Total investments acquired (Lines 13.1 to 13.6) .....	28,157,932	123,751,451
14.	Net increase (or decrease) in contract loans and premium notes .....		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14) .....	58,776,446	(58,230,543)
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes .....		
16.2	Capital and paid in surplus, less treasury stock .....	37,500,000	70,403,123
16.3	Borrowed funds .....		
16.4	Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5	Dividends to stockholders .....		
16.6	Other cash provided (applied) .....	24,132,026	1,981,829
17.	Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6) .....	61,632,026	72,384,952
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	33,587,947	103,647,763
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year .....	104,646,787	999,025
19.2	End of period (Line 18 plus Line 19.1) .....	138,234,734	104,646,788

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

Description		Amount 1	Amount 2
20.0001	.....		

**EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION**

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10
		2	3							
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:										
1. Prior Year .....	57,258							57,258		
2. First Quarter .....	42,820							42,820		
3. Second Quarter .....	42,071							42,071		
4. Third Quarter .....	44,651							44,651		
5. Current Year .....										
6. Current Year Member Months .....	391,616							391,616		
Total Member Ambulatory Encounters for Period:										
7. Physician .....	1,170,946							1,170,946		
8. Non-Physician .....	198,481							198,481		
9. Total .....	1,369,427							1,369,427		
10. Hospital Patient Days Incurred .....	140,410							140,410		
11. Number of Inpatient Admissions .....	19,154							19,154		
12. Health Premiums Written (a) .....	507,779,632							507,779,632		
13. Life Premiums Direct .....										
14. Property/Casualty Premiums Written .....										
15. Health Premiums Earned .....	507,779,632							507,779,632		
16. Property/Casualty Premiums Earned .....										
17. Amount Paid for Provision of Health Care Services ...	521,387,884							521,387,884		
18. Amount Incurred for Provision of Health Care Services .....	473,734,232							473,734,232		

(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$.....488,295,773.

**CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)**

Aging Analysis of Unpaid Claims						
1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 days	6 Over 120 Days	7 Total
0199999 Individually Listed Claims Unpaid .....						
0299999 Aggregate Accounts Not Individually Listed - Uncovered ....						
0399999 Aggregate Accounts Not Individually Listed - Covered .....	12,125,147	1,003,949	88,696	82,887	57,809	13,358,488
0499999 Subtotals .....	12,125,147	1,003,949	88,696	82,887	57,809	13,358,488
0599999 Unreported claims and other claim reserves .....						86,688,118
0699999 Total Amounts Withheld .....						
0799999 Total Claims Unpaid .....						100,046,606
0899999 Accrued Medical Incentive Pool And Bonus Amounts .....						

**UNDERWRITING AND INVESTMENT EXHIBIT**

**ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE**

Line of Business		Claims Paid Year to Date		Liability End of Current Quarter		5	6
		1	2	3	4	Claims Incurred in Prior Years (Columns 1+3)	Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year
		On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid Dec.31 of Prior Year	On Claims Incurred During the Year		
1.	Comprehensive (hospital & medical) .....						
2.	Medicare Supplement .....						
3.	Dental only .....						
4.	Vision only .....						
5.	Federal Employees Health Benefits Plan .....						
6.	Title XVIII - Medicare .....	125,632,689	395,649,464	1,759,813	98,286,793	127,392,502	145,138,249
7.	Title XIX - Medicaid .....						
8.	Other health .....						
9.	Health subtotal (Lines 1 to 8) .....	125,632,689	395,649,464	1,759,813	98,286,793	127,392,502	145,138,249
10.	Healthcare receivables (a) .....	330,666	5,105,326		1,771,957	330,666	4,315,275
11.	Other non-health .....						
12.	Medical incentive pools and bonus amounts .....						
13.	Totals .....	125,302,023	390,544,138	1,759,813	96,514,836	127,061,836	140,822,974

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

# Notes to Financial Statement

## 1. Summary of Significant Accounting Policies

### a. Accounting Practices

No Material Changes

### b. Use of Estimates in the Preparation of the Financial Statements.

No Material Changes

### c. Accounting Policy

No Material Changes

## 2. Accounting Changes and Corrections of Errors

The Company misreported Capital and Surplus in 2007 by \$11,623,800. This consists of many audit adjustments as outlined below.

Decrease drug rebate receivable at 12/31/2007 based on revised Milliman Estimate	(57,438)
Increase unpaid claims adjustment expense liability	(259,441)
Under accrual for Part C receivable (Milliman did not incorporate margin into estimate)	9,017,780
Over accrual of Caremark’s 3 days of claims expense (12/29 - 12/31)	286,613
Over accrual for Part D Reinsurance payable (XL booked to the Milliman's 2/25 draft estimate which did not include the 11/20 PDE file. This adjustment reflects the 3/12 estimate)	1,108,206
Over accrual for Part D LICS payable (XL booked to the Milliman's 2/25 draft estimate which did not include the 11/20 PDE file. This adjustment reflects the 3/12 estimate)	1,273,454
Over accrual for Part D Risk Sharing payable (XL booked to the Milliman's 2/25 draft estimate which did not include the 11/20 PDE file. This adjustment reflects the 3/12 estimate)	35,776
Premium Tax Expense not booked	(110,556)
Eliminate CMS payable	329,406
	<hr/>
	11,623,800

## 3. Business Combinations and Goodwill

a. Statutory Purchase Method – No Material Changes

b. Statutory Merger – No Material Changes

c. Assumption Reinsurance – No Material Changes

d. Impairment Loss – No Material Changes

## 4. Discontinued Operations

No Material Changes

## 5. Investments

a. Mortgage Loans – No Material Changes

b. Debt Restructuring – No Material Changes

c. Reverse Mortgages – No Material Changes

d. Loan-Backed Securities – No Material Changes

## **Notes to Financial Statement**

e. Repurchase Agreements – No Material Changes

f. Real Estate – No Material Changes

g. Low-income housing tax credits (LIHTC) - No Material Changes

### **6. Joint Ventures, Partnerships and Limited Liability Companies**

No Material Changes

### **7. Investment Income**

No Material Changes

### **8. Derivative Instruments**

No Material Changes.

### **9. Income Taxes**

No Material Changes

### **10. Information Concerning Parent, Subsidiaries and Affiliates**

XLHealth Corporation contributed \$7,500,000 into the Company in second quarter 2008, \$30,000,000 August 15, 2008 and an additional \$30,000,000 November 13, 2008 to assure the Company had sufficient capital and surplus to meet the state regulatory requirements.

On or about July 31, 2008, the merger (the “Merger”) by and among XLHealth Holdings LLC, a Delaware limited liability company (“Parent”), XLHealth Corporation, a Maryland corporation (“XLHealth”), and XLHealth Merger Sub, Inc., a Maryland corporation, was consummated. XLHealth and its Board of Directors believe that the Merger is in the best interests of the XLHealth’s stakeholders, including holders of options and warrants and that the Merger will provide operating, tax, accounting and other efficiencies, align the incentives of management with the interests of our stakeholders, and allow the Parent to pursue a broad range of strategic alternatives.

The Arkansas Department of Insurance was advised via letter on or about July 8, 2008, of the Merger; the Arkansas Department of Insurance responded on July 17, 2008, and advised it had no objection to the transaction and also that the transaction was exempt from any pre-approval requirements under the Arkansas Insurance Code’s Holding Company Act. As previously advised, the Merger did not directly involve the Company or its affiliated insurance companies domiciled in Maryland and Texas, and all of which are also subsidiaries of XLHealth. Most importantly, XLHealth continues to be the corporate parent of CIPSC, and MatlinPatterson continues to be the ultimate controlling party of the Company and also of XLHealth.

### **11. Debt**

No Material Changes

### **12. Retirement Plans, Deferred Compensation, Post-Employment Benefits, Compensated Absences and other Postretirement Benefit Plans.**

a. Defined Benefit Plan – No Material Changes

b. Deferred Compensation Plan – No Material Changes

c. Multi-Employer Plan – No Material Changes

## **Notes to Financial Statement**

d. Consolidated/Holding Company Plans – No Material Changes

e. Post-Employment Benefits and Compensated Absences – No Material Changes

f. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) - No Material Changes

### **13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations**

No Material Changes

### **14. Contingencies**

a. Contingent Commitments – No Material Changes

b. Assessments – No Material Changes

c. Gain Contingencies – No Material Changes.

d. Claims related extra contractual obligations and bad faith losses stemming from lawsuits – No Material Changes

e. All Other Contingencies – No Material Changes

### **15. Leases**

No Material Changes

### **16. Information about Financial Instruments with off-balance sheet risk and financial instruments with concentrations of credit risk.**

No Material Changes

### **17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities.**

a. Transfers of Receivables reported as Sales – No Material Changes

b. Transfer and Servicing of Financial Assets – No Material Changes

c. Wash Sales – None

### **18. Gain or Loss to the Reporting Entity from Uninsured A & H Plans and the Uninsured Portion of Partially Insured Plans.**

a. ASO Plans – No Material Changes

b. ASC Plans – No Material Changes

c. Medicare or Similarly Structured Cost Based Reimbursement Contract - No Material Changes

### **19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators.**

No Material Changes

### **20. Other Items**

a. Extraordinary Items – No Material Changes

## Notes to Financial Statement

- b. Troubled Debt Restructuring – No Material Changes
- c. Other Disclosures - No Material Changes
- d. Balances of assets covered by SSAP No. 6, Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due From Agents and Brokers, SSAP No. 47, Uninsured Plans, or SSAP No. 66, Retrospectively Rated Contracts. - No Material Changes
- e. Business Interruption Insurance Recoveries - No Material Changes
- f. State Transferable Tax Credits - No Material Changes
- g. Deposits admitted under Section 6603 of the Internal Revenue Service Code - No Material Changes
- h. Hybrid Securities - No Material Changes.
- i. Subprime Related Risk Exposure – No Material Changes

### 21. Events Subsequent

Type I – XLHealth Corporation infused an additional \$30,000,000 on November 13, 2008 to assure the Company had sufficient capital and surplus to meet the state regulatory requirements. This amount is set up as a receivable from XLHealth Corporation at September 30, 2008.

### 22. Reinsurance

- a. Ceded Reinsurance Report - No Material Changes
- b. Uncollectible Reinsurance – No Material Changes
- c. Commutation of Ceded Reinsurance - No Material Changes

### 23. Retrospectively Rated Contracts and Contracts Subject to Redetermination

No Material Changes

### 24. Change in Incurred Claims and Claims Adjustment Expenses.

No Material Changes

### 25. Intercompany Pooling Arrangements

No Material Changes

### 26. Structured Settlements

No Material Changes

**Notes to Financial Statement**

**27. Health Care Receivables**

a. Pharmaceutical Rebate Receivables

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
09/30/2008	\$5,834,784	\$5,105,326	\$763,428	\$1,636,550	
06/30/2008	\$ 1,662,850	\$3,235,218	\$679,985	\$938,551	
03/31/2008	\$ 3,915,782	\$3,255,086	\$530,925	\$465,878	
12/31/2007	\$ 3,849,397	\$1,935,354	\$183,485	\$130,788	
09/30/2007			\$ 83,787		

b. Risk Sharing Receivables - None

**28. Participating Policies**

No Material Changes

**29. Premium Deficiency Reserves**

As of September 30, 2008, the Company has liabilities of \$7,186,730 related to premium deficiency reserves. The Company considered anticipated investment income when calculating its premium deficiency reserve.

**30. Anticipated Salvage and Subrogation**

No Material Changes

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted)

PART 1 - COMMON INTERROGATORIES  
GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes[X] No[ ]
- 1.2 If yes, has the report been filed with the domiciliary state?

Yes[X] No[ ] N/A[ ]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[ ] No[X]
- 2.2 If yes, date of change:
3. Have there been any substantial changes in the organizational chart since the prior quarter end?  
If yes, complete the Schedule Y - Part 1 - organizational chart.

Yes[X] No[ ]
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[ ] No[X]
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?  
If yes, attach an explanation.

Yes[X] No[ ] N/A[ ]
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2007
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).
- 6.4 By what department or departments?  
Arkansas
- 6.5 Have any financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes[ ] No[ ] N/A[X]
- 6.6 Have all of the recommendations within the latest financial examination report been complied with?

Yes[ ] No[ ] N/A[X]
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes[ ] No[X]
- 7.2 If yes, give full information
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[ ] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[ ] No[X]
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
		Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?  
(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;  
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;  
(c) Compliance with applicable governmental laws, rules and regulations;  
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and  
(e) Accountability for adherence to the code.

Yes[X] No[ ]
- 9.11 If the response to 9.1 is No, please explain:
- 9.2 Has the code of ethics for senior managers been amended?

Yes[ ] No[X]
- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers?

Yes[ ] No[X]
- 9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes[X] No[ ]
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$.....29,849,293

INVESTMENT

- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes[ ] No[X]
- 11.2 If yes, give full and complete information relating thereto:
12. Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$.....0
13. Amount of real estate and mortgages held in short-term investments:

\$.....0
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes[ ] No[X]

**GENERAL INTERROGATORIES (Continued)**

**INVESTMENT**

14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21 Bonds .....		
14.22 Preferred Stock .....		
14.23 Common Stock .....		
14.24 Short-Term Investments .....		
14.25 Mortgages Loans on Real Estate .....		
14.26 All Other .....		
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26) .....		
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above .....		

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?  
15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
If no, attach a description with this statement.

Yes[ ] No[X]  
Yes[ ] No[ ] N/A[X]

16. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, G - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?  
16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

Yes[ ] No[X]

1 Name of Custodian(s)	2 Custodian Address
.....	.....

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
PNC Investments .....	Baltimore, MD .....	Company is in the process of revising agreement .....
Goldman Sachs .....	Philadelphia, PA .....	Company is in the process of revising agreement .....

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter?  
16.4 If yes, give full and complete information relating thereto:

Yes[ ] No[X]

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....	.....	.....	.....

16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address
.....	.....	.....

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?  
17.2 If no, list exceptions:

Yes[X] No[ ]

**General Interrogatories Part 1 Attachments**

The Management Agreement was modified with XLHealth and a Form D filing is in the process of review. The Company is requesting permission to make the modification retroactive to January 1, 2008.

A Tax Allocation agreement between and among XLHealth and its affiliates was submitted to the Arkansas Department of Insurance pursuant to its request as part of the above referenced Form D filing and is now in the process of review.

**SCHEDULE S - CEDED REINSURANCE**  
**Showing All New Reinsurance Treaties - Current Year to Date**

1 NAIC Company Code	2 Federal ID Number	3 Effective Date	4 Name of Reinsurer	5 Location	6 Type of Reinsurance Ceded	7 Is Insurer Authorized? (Yes or No)
<b>Accident and Health - Non-affiliates</b>						
21970 .....	23-1502700 .....	01/01/2008 .....	ONEBEACON INS CO .....	Minnetonka, MN .....	SSL/A/I .....	Yes[X] No[ ] .....

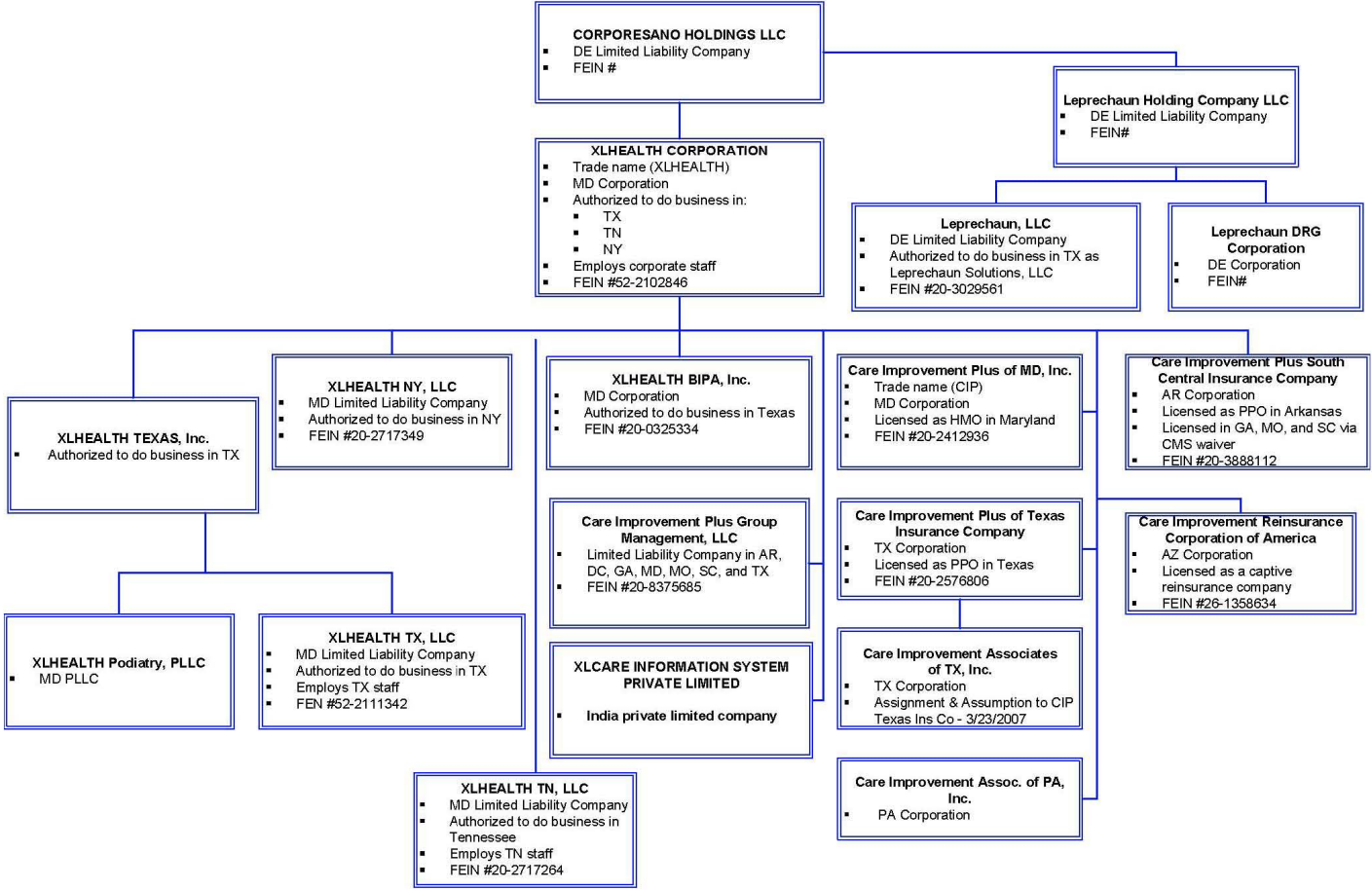
**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**

**Current Year to Date - Allocated by States and Territories**

		1	Direct Business Only							
			2	3	4	5	6	7	8	9
State, Etc.		Active Status	Accident and Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life and Annuity Premiums and Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1.	Alabama (AL) .....	N ..								
2.	Alaska (AK) .....	N ..								
3.	Arizona (AZ) .....	N ..								
4.	Arkansas (AR) .....	L ..		87,285,191					87,285,191	
5.	California (CA) .....	N ..								
6.	Colorado (CO) .....	N ..								
7.	Connecticut (CT) .....	N ..								
8.	Delaware (DE) .....	N ..								
9.	District of Columbia (DC) .....	N ..								
10.	Florida (FL) .....	N ..								
11.	Georgia (GA) .....	N ..		176,247,458					176,247,458	
12.	Hawaii (HI) .....	N ..								
13.	Idaho (ID) .....	N ..								
14.	Illinois (IL) .....	N ..								
15.	Indiana (IN) .....	N ..								
16.	Iowa (IA) .....	N ..								
17.	Kansas (KS) .....	N ..								
18.	Kentucky (KY) .....	N ..								
19.	Louisiana (LA) .....	N ..								
20.	Maine (ME) .....	N ..								
21.	Maryland (MD) .....	N ..								
22.	Massachusetts (MA) .....	N ..								
23.	Michigan (MI) .....	N ..								
24.	Minnesota (MN) .....	N ..								
25.	Mississippi (MS) .....	N ..								
26.	Missouri (MO) .....	N ..		41,398,784					41,398,784	
27.	Montana (MT) .....	N ..								
28.	Nebraska (NE) .....	N ..								
29.	Nevada (NV) .....	N ..								
30.	New Hampshire (NH) .....	N ..								
31.	New Jersey (NJ) .....	N ..								
32.	New Mexico (NM) .....	N ..								
33.	New York (NY) .....	N ..								
34.	North Carolina (NC) .....	N ..								
35.	North Dakota (ND) .....	N ..								
36.	Ohio (OH) .....	N ..								
37.	Oklahoma (OK) .....	N ..								
38.	Oregon (OR) .....	N ..								
39.	Pennsylvania (PA) .....	N ..								
40.	Rhode Island (RI) .....	N ..								
41.	South Carolina (SC) .....	L ..		202,848,199					202,848,199	
42.	South Dakota (SD) .....	N ..								
43.	Tennessee (TN) .....	N ..								
44.	Texas (TX) .....	N ..								
45.	Utah (UT) .....	N ..								
46.	Vermont (VT) .....	N ..								
47.	Virginia (VA) .....	N ..								
48.	Washington (WA) .....	N ..								
49.	West Virginia (WV) .....	N ..								
50.	Wisconsin (WI) .....	N ..								
51.	Wyoming (WY) .....	N ..								
52.	American Samoa (AS) .....	N ..								
53.	Guam (GU) .....	N ..								
54.	Puerto Rico (PR) .....	N ..								
55.	U.S. Virgin Islands (VI) .....	N ..								
56.	Northern Mariana Islands (MP) .....	N ..								
57.	Canada (CN) .....	N ..								
58.	Aggregate other alien (OT) .....	X X X ..								
59.	Subtotal .....	X X X ..		507,779,632					507,779,632	
60.	Reporting entity contributions for Employee Benefit Plans .....	X X X ..								
61.	Total (Direct Business) .....	(a)..... 2		507,779,632					507,779,632	
DETAILS OF WRITE-INS										
5801.	.....	X X X ..								
5802.	.....	X X X ..								
5803.	.....	X X X ..								
5898.	Summary of remaining write-ins for Line 58 from overflow page .....	X X X ..								
5899.	TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above) .....	X X X ..								

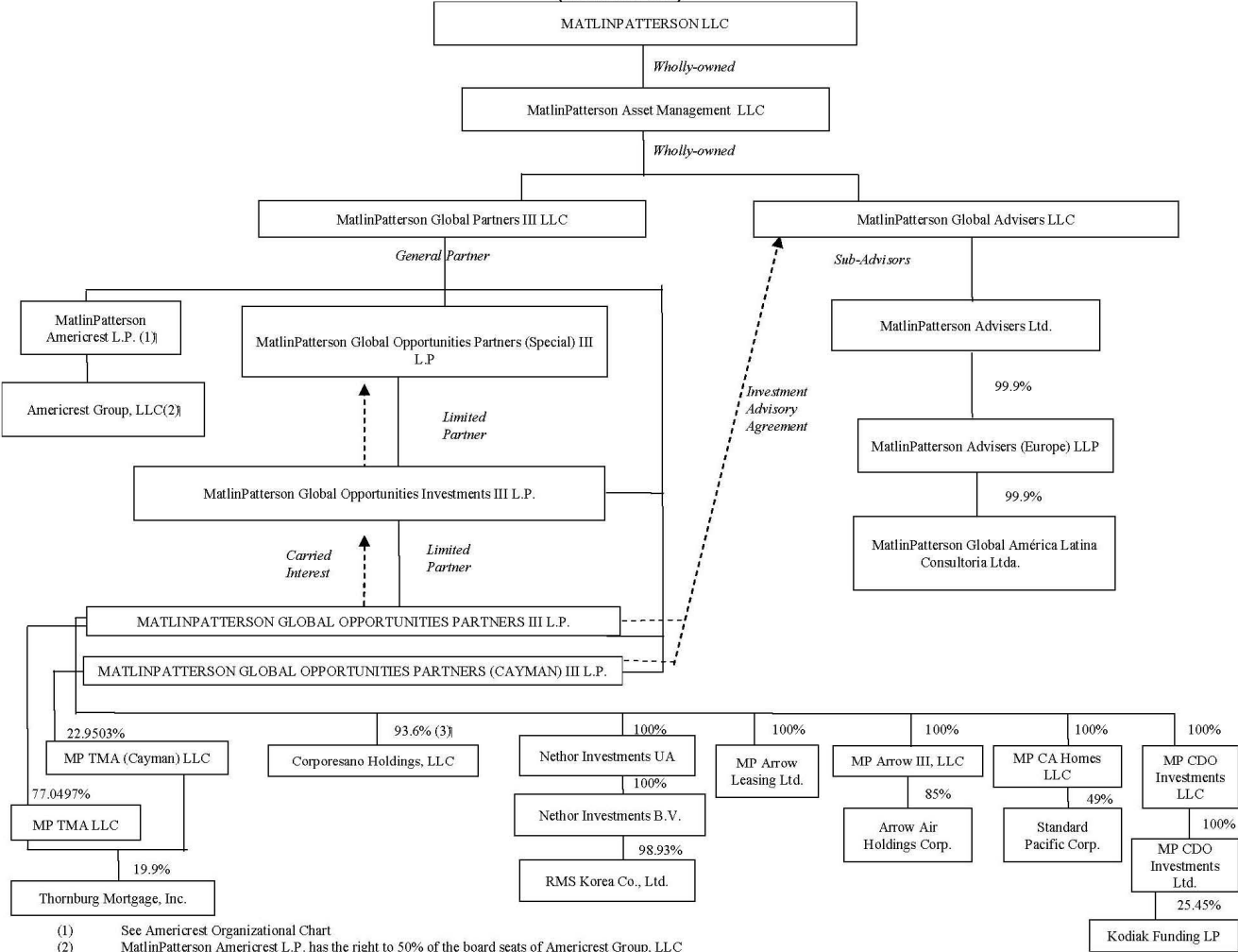
(a) Insert the number of yes responses except for Canada and Other Alien.

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER**  
**MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**



SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER  
MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART

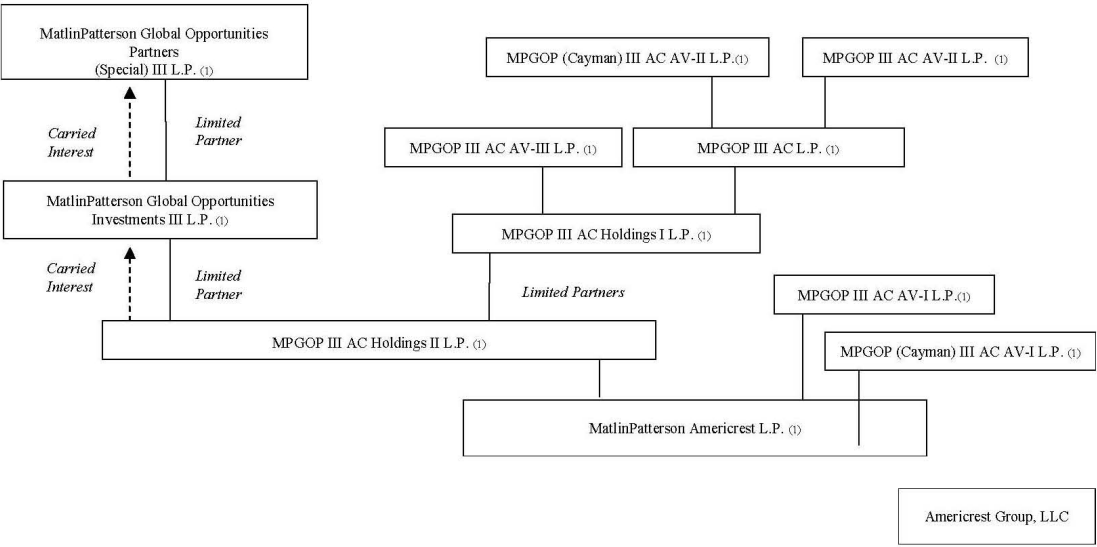
ORGANIZATION CHART -MATLINPATTERSON GLOBAL OPPORTUNITIES PARTNERS III  
(Confidential)



(1) See Americrest Organizational Chart  
(2) MatlinPatterson Americrest L.P. has the right to 50% of the board seats of Americrest Group, LLC  
(3) Ownership reported on an as-converted basis

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER**  
**MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**

**ORGANIZATION CHART AMERICREST GROUP, LLC (Confidential)**



(1) MatlinPatterson Global Partners III LLC is the general partner

**SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES**

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

	RESPONSE
1. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	No

Explanations:

Bar Codes:

Medicare Part D Coverage Supplement



**OVERFLOW PAGE FOR WRITE-INS**

STATEMENT AS OF **September 30, 2008** OF THE **Care Improvement Plus South Central Insurance Company**  
**SCHEDULE A - VERIFICATION**

Real Estate		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year .....		
2.	Cost of acquired .....		
2.1	Actual cost at time of acquisitions .....		
2.2	Additional investment made after acquisitions .....		
3.	Current year change in encumbrances .....		
4.	Total gain (loss) on disposals .....		
5.	Deduct amounts received on disposals .....		
6.	Total foreign exchange change in book/adjusted carrying value .....		
7.	Deduct current year's other than temporary impairment recognized .....		
8.	Deduct current year's depreciation .....		
9.	Book/adjusted carrying value at the end of current period (Lines 1 + 2 + 3 + 4 - 5 + 6 - 7 - 8 ) .....		
10.	Deduct total nonadmitted amounts .....		
11.	Statement value at end of current period (Line 9 minus Line 10) .....		

**SCHEDULE B - VERIFICATION**

Mortgage Loans		1	2
		Year To Date	Prior Year Ended December 31
1.	Book value/recorded investment excluding accrued interest, December 31 of prior year .....		
2.	Cost of acquired: .....		
2.1	Actual cost at time of acquisitions .....		
2.2	Additional investment made after acquisitions .....		
3.	Capitalized deferred interest and other .....		
4.	Accrual of discount .....		
5.	Unrealized valuation increase (decrease) .....		
6.	Total gain (loss) on disposals .....		
7.	Deduct amounts received on disposals .....		
8.	Deduct amortization of premium and mortgage interest paid .....		
9.	Total foreign exchange change in book value/recorded investment excluding accrued interest .....		
10.	Deduct current year's other than temporary impairment recognized .....		
11.	Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) .....		
12.	Deduct total nonadmitted amounts .....		
13.	Statement value at end of current period (Line 11 minus Line 12) .....		

**SCHEDULE BA - VERIFICATION**

Other Long-Term Invested Assets		1	2
Description		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year .....		
2.	Cost of acquired: .....		
2.1	Actual cost at time of acquisitions .....		
2.2	Additional investment made after acquisitions .....		
3.	Capitalized deferred interest and other .....		
4.	Accrual of discount .....		
5.	Unrealized valuation increase (decrease) .....		
6.	Total gain (loss) on disposals .....		
7.	Deduct amounts received on disposals .....		
8.	Deduct amortization of premium and depreciation .....		
9.	Total foreign exchange change in book/adjusted carrying value .....		
10.	Deduct current year's other than temporary impairment recognized .....		
11.	Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) .....		
12.	Deduct total nonadmitted amounts .....		
13.	Statement value at end of current period (Line 11 minus Line 12) .....		

**SCHEDULE D - VERIFICATION**

Bonds and Stocks		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of bonds and stocks, December 31 of prior year .....	59,154,847	919,065
2.	Cost of bonds and stocks acquired .....	28,157,932	123,751,452
3.	Accrual of discount .....	37,774	5,238
4.	Unrealized valuation increase (decrease) .....		
5.	Total gain (loss) on disposals .....	863	
6.	Deduct consideration for bonds and stocks disposed of .....	86,933,407	65,520,908
7.	Deduct amortization of premium .....	4,500	
8.	Total foreign exchange change in book/adjusted carrying value .....		
9.	Deduct current year's other than temporary impairment recognized .....		
10.	Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) .....	413,509	59,154,847
11.	Deduct total nonadmitted amounts .....		
12.	Statement value at end of current period (Line 10 minus Line 11) .....	413,509	59,154,847

**SCHEDULE D - PART 1B**  
**Showing the Acquisitions, Dispositions and Non-Trading Activity**  
**During the Current Quarter for all Bonds and Preferred Stock by Rating Class**

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 (a) .....	130,555,092	5,757,047,252	5,724,261,708	9,224	96,398,020	130,555,092	163,349,859	115,198,184
2. Class 2 (a) .....								
3. Class 3 (a) .....								
4. Class 4 (a) .....								
5. Class 5 (a) .....								
6. Class 6 (a) .....								
7. Total Bonds .....	130,555,092	5,757,047,252	5,724,261,708	9,224	96,398,020	130,555,092	163,349,859	115,198,184
<b>PREFERRED STOCK</b>								
8. Class 1 .....								
9. Class 2 .....								
10. Class 3 .....								
11. Class 4 .....								
12. Class 5 .....								
13. Class 6 .....								
14. Total Preferred Stock .....								
15. Total Bonds & Preferred Stock .....	130,555,092	5,757,047,252	5,724,261,708	9,224	96,398,020	130,555,092	163,349,859	115,198,184

Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$.....162,917,190; NAIC 2 \$.....0; NAIC 3 \$.....0; NAIC 4 \$.....0; NAIC 5 \$.....0; NAIC 6 \$.....0

**SCHEDULE DA - PART 1**

**Short - Term Investments Owned End of Current Quarter**

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
8299999. Totals .....	111,900,342	X X X .....	111,905,781	469,785	200

**SCHEDULE DA - Verification**

**Short-Term Investments**

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year .....	65,863,736	103,775
2.	Cost of short-term investments acquired .....	113,329,568	148,294,116
3.	Accrual of discount .....	59,219	
4.	Unrealized valuation increase (decrease) .....		
5.	Total gain (loss) on disposals .....	971	
6.	Deduct consideration received on disposals .....	67,332,934	40,986,320
7.	Deduct amortization of premium .....	20,217	
8.	Total foreign exchange change in book/adjusted carrying value .....		
9.	Deduct current year's other than temporary impairment recognized ...		
10.	Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) .....	111,900,342	107,411,571
11.	Deduct total nonadmitted amounts .....		
12.	Statement value at end of current period (Line 10 minus Line 11) .....	111,900,342	107,411,571

**SI04     Schedule DB Part F Section 1 ..... NONE**

**SI05     Schedule DB Part F Section 2 ..... NONE**

**SCHEDULE E - Verification**  
**(Cash Equivalents)**

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year .....	42,162,139	.....
2.	Cost of cash equivalents acquired .....	10,904,547,021	..... 1,028,757
3.	Accrual of discount .....	2,145	..... 548
4.	Unrealized valuation increase (decrease) .....	.....	.....
5.	Total gain (loss) on disposals .....	.....	.....
6.	Deduct consideration received on disposals .....	10,895,675,297	..... 415,000
7.	Deduct amortization of premium .....	.....	.....
8.	Total foreign exchange change in book/adjusted carrying value .....	.....	.....
9.	Deduct current year's other than temporary impairment recognized ...	.....	.....
10.	Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) .....	51,036,007	..... 614,305
11.	Deduct total nonadmitted amounts .....	.....	.....
12.	Statement value at end of current period (Line 10 minus Line 11) .....	51,036,007	..... 614,305

**E01      Schedule A Part 2 ..... NONE**

**E01      Schedule A Part 3 ..... NONE**

**E02      Schedule B Part 2 ..... NONE**

**E02      Schedule B Part 3 ..... NONE**

**E03      Schedule BA Part 2 ..... NONE**

**E03      Schedule BA Part 3 ..... NONE**

**SCHEDULE D - PART 3**

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)
6099998	Summary Item from Part 5 for Bonds (N/A to Quarterly)				X X X	X X X	X X X	X X X	X X X
6599998	Summary Item from Part 5 for Preferred Stocks (N/A to Quarterly)				X X X	X X X	X X X	X X X	X X X
<b>Common Stock - Money Market Mutual Funds</b>									
69350U617	PNC Prime Fund		07/31/2008	PNC Inst Invest	19.340	19	X X X		L
7199999	Subtotal - Common Stock - Money Market Mutual Funds				X X X	19	X X X		X X X
7299997	Subtotal - Common Stock - Part 3				X X X	19	X X X		X X X
7299998	Summary Item from Part 5 for Common Stocks (N/A to Quarterly)				X X X	X X X	X X X	X X X	X X X
7299999	Subtotal - Common Stocks				X X X	19	X X X		X X X
7399999	Subtotal - Preferred and Common Stocks				X X X	19	X X X		X X X
7499999	Total - Bonds, Preferred and Common Stocks				X X X	19	X X X		X X X

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....0.

**SCHEDULE D - PART 4**

**Show All Long-Term Bonds and Stocks Sold, Redeemed, or Otherwise Disposed of  
by the Company During the Current Quarter**

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	F o r e i g n	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
<b>Bonds - Industrial and Miscellaneous (Unaffiliated)</b>																					
00761HBM2	Advanta Business Card Master Tr Series 2	...	07/14/2008	Maturity	X X X	309,380	310,000.00	310,031	310,026		0		0		310,026		(646)	(646)	1,093	10/20/2011	1FE
17305ECR4	Citibank Credit Card Issuance Series 200	...	09/15/2008	Called at 100	X X X	615,000	615,000.00	609,499	610,819		4,181		4,181		615,000				13,530	09/15/2010	1FE
17305EBV6	Citibank Credit Card Issuance	...	08/15/2008	Called at 100	X X X	610,000	610,000.00	603,876	605,140		4,860		4,860		610,000				10,675	08/16/2010	1FE
38143UAA9	Goldman Sachs Group Inc Notes	...	07/01/2008	PNC Inst Invest	X X X	1,242,526	1,241,000.00	1,235,775			113		113		1,238,311		4,215	4,215	22,976	01/15/2009	1FE
055667AA7	BMW Vehicle Lease Trust Series 2007-1	...	07/15/2008	Maturity	X X X	68,835	68,835.46	68,835	68,835						68,835				281	11/17/2008	1FE
139732FY2	Capital Auto Receivables Asst Tr Series	...	09/10/2008	PNC Inst Invest	X X X	268,593	268,668.82	268,364	268,525		75		75		268,600		(7)	(7)	2,574	10/15/2009	1FE
14041GCU8	Capital One Auto Finance Series 2006-A C	...	09/25/2008	PNC Inst Invest	X X X	225,513	226,142.89	226,001	226,082		30		30		226,113		(600)	(600)	2,838	11/15/2010	1FE
12620HAA5	CNH equipment Trust Series 2007-C	...	08/15/2008	Maturity	X X X	182,576	182,575.67	182,576	182,576						182,576				836	12/15/2008	1FE
41283XAA7	Harley Davidson Motorcycle Trust Series	...	09/15/2008	Called at 100	X X X	224,884	224,883.84	224,884							224,884				964	02/17/2009	1FE
6547EMAA8	Nissan Auto Lease Trust	...	09/25/2008	PNC Inst Invest	X X X	815,102	817,256.42	817,256							817,256		(2,155)	(2,155)	5,387	05/15/2009	1FE
903278BZ1	USAA Auto Owner Trust	...	08/15/2008	Redemption	X X X	84,757	84,757.25	84,453	84,551		151		151		84,702		55	55	362	12/15/2009	1FE
4599999	Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)	...			X X X	4,647,166	4,649,120.35	4,631,551	2,356,556		9,408		9,408		4,646,303		863	863	61,516	X X X	X X X
6099997	Subtotal - Bonds - Part 4	...			X X X	4,647,166	4,649,120.35	4,631,551	2,356,556		9,408		9,408		4,646,303		863	863	61,516	X X X	X X X
6099998	Summary Item from Part 5 for Bonds (N/A to Quarterly)	...			X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
6099999	Subtotal - Bonds	...			X X X	4,647,166	4,649,120.35	4,631,551	2,356,556		9,408		9,408		4,646,303		863	863	61,516	X X X	X X X
6599998	Summary Item from Part 5 for Preferred Stocks (N/A to Quarterly)	...			X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
<b>Common Stock - Money Market Mutual Funds</b>																					
69350U617	PNC Prime Fund	...	08/20/2008	PNC Inst Invest	19.340	19	X X X	19							19				107	X X X	L
7199999	Subtotal - Common Stock - Money Market Mutual Funds	...			X X X	19	X X X	19							19				107	X X X	X X X
7299997	Subtotal - Common Stocks - Part 4	...			X X X	19	X X X	19							19				107	X X X	X X X
7299998	Summary Item from Part 5 for Common Stocks (N/A to Quarterly)	...			X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
7299999	Subtotal - Common Stocks	...			X X X	19	X X X	19							19				107	X X X	X X X
7399999	Subtotal - Preferred and Common Stocks	...			X X X	19	X X X	19							19				107	X X X	X X X
7499999	Total - Bonds, Preferred and Common Stocks	...			X X X	4,647,185	X X X	4,631,571	2,356,556		9,408		9,408		4,646,322		863	863	61,622	X X X	X X X

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....0.

**E06      Schedule DB Part A Section 1 ..... NONE**

**E06      Schedule DB Part B Section 1 ..... NONE**

**E07      Schedule DB Part C Section 1 ..... NONE**

**E07      Schedule DB Part D Section 1 ..... NONE**

**SCHEDULE E - PART 1 - CASH**

**Month End Depository Balances**

1			2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
Depository			Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	6	7	8	*
							First Month	Second Month	Third Month	
open depositories										
PNC Bank - Medical Expense Account .....	Baltimore MD .....	.....	.....	.....	.....	.....	.. (4,163,677)	.. (5,947,903)	.. (5,401,445)	X X X
PNC Bank - Medical Expense Account .....	Baltimore MD .....	.....	.....	.....	.....	.....	.. (11,187,336)	.. (16,261,630)	.. (16,171,600)	X X X
Goldman Sachs Bank Deposit .....	Philadelphia, PA .....	.....	.....	2.500	15,052	.....	2,873,925	2,879,837	83,028	X X X
PNC Bank .....	Baltimore MD .....	.....	.....	.....	.....	.....	(436,848)	15,025,678	(887,295)	X X X
PNC Bank .....	Baltimore MD .....	.....	.....	.....	.....	.....	(1,434,898)	47,085,462	(2,324,303)	X X X
0199998 Deposits in .....0 depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories			X X X	X X X						X X X
0199999 Totals - Open Depositories .....			X X X	X X X	15,052		(14,348,835)	42,781,444	(24,701,615)	X X X
0299998 Deposits in .....0 depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories .....			X X X	X X X						X X X
0299999 Totals - Suspended Depositories .....			X X X	X X X						X X X
0399999 Total Cash On Deposit .....			X X X	X X X	15,052		(14,348,835)	42,781,444	(24,701,615)	X X X
0499999 Cash in Company's Office .....			X X X	X X X	X X X	X X X				X X X
0599999 Total Cash .....			X X X	X X X	15,052		(14,348,835)	42,781,444	(24,701,615)	X X X

**SCHEDULE E - PART 2 - CASH EQUIVALENTS**

Show Investments Owned End of Current Quarter

1	2	3	4	5	6	7	8
Description	Code	Date Acquired	Rate of Interest	Maturity Date	Book/Adjusted Carrying Value	Amount of Interest Due & Accrued	Amount Received During Year
6099999 Subtotals - Bonds .....					.....	.....	.....
<b>Sweep Accounts</b>							
PNC Bank Repurchase Agreement .....	.....	... 09/30/2008 ...	..... 2.455	... 10/01/2008 ...	..... 51,036,007	.....	..... 770,021
8599999 Sweep Accounts .....					..... 51,036,007	.....	..... 770,021
8699999 Other Cash Equivalents .....							
8799999 Total - Cash Equivalents .....					..... 51,036,007	.....	..... 770,021



**MEDICARE PART D COVERAGE SUPPLEMENT**  
**Net of Reinsurance**  
**For the Quarter Ended September 30, 2008**

NAIC Group Code: 4443

NAIC Company Code: 12567

		Individual Coverage		Group Coverage		5 Total Cash
		1 Insured	2 Uninsured	3 Insured	4 Uninsured	
1.	Premiums Collected .....	.....	X X X .....	.....	X X X .....	.....
2.	Earned Premiums .....	.....	X X X .....	.....	X X X .....	X X X .....
3.	Claims Paid .....	.....	X X X .....	.....	X X X .....	.....
4.	Claims Incurred .....	.....	X X X .....	.....	X X X .....	X X X .....
5.	Reinsurance Coverage and Low Income Cost Sharing - Claims Paid Net of Reimbursements Applied (a) .....	X X X .....	.....	X X X .....	.....	.....
6.	Aggregate Policy Reserves - change .....	.....	X X X .....	.....	X X X .....	X X X .....
7.	Expenses Paid .....	.....	X X X .....	.....	X X X .....	.....
8.	Expenses Incurred .....	.....	X X X .....	.....	X X X .....	X X X .....
9.	Underwriting Gain or Loss .....	.....	X X X .....	.....	X X X .....	X X X .....
10.	Cash Flow Results .....	X X X .....	X X X .....	X X X .....	X X X .....	.....

(a) Uninsured Receivable/Payable with CMS at End of Quarter: \$.0 due from CMS or \$.0 due to CMS

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